

## Message Text

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ORIGIN L-03

INFO OCT-01 ARA-06 ISO-00 EUR-12 SP-02 TRSE-00 AID-05 EB-07

SS-15 NSC-05 CIAE-00 INR-07 NSAE-00 SSO-00 NSCE-00

INRE-00 /063 R

DRAFTED BY L/EUR:DAGANTZ

APPROVED BY ARA:HSHLAUDEMAN

S/P:LEINAUDI

TREASURY:FMARESCA

ARA/AND:CFULLER

----- 080644

O 152032Z OCT 76 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY LIMA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 256096

E.O. 11652: GDS

TAGS: BDIS, EIND, EINV, EMIN, PFOR, PE

SUBJECT: MARCONA - DELAY IN ISSUANCE OF PROMISSORY NOTE

REF: A. FULLER-STEIN TELECON, OCTOBER 15

B. GANTZ-C. SMITH TELECON, OCTOBER 15

1. DEPT AND TREASURY DEPT ARE BECOMING INCREASINGLY  
CONCERNED AT LENGTHY DELAY IN ISSUANCE OF PROMISSORY NOTE.  
IT WAS CLEAR UNDERSTANDING OF BOTH GOP AND USG THAT NOTE  
WOULD BE ISSUED WEEK OF SEPTEMBER 27, IMMEDIATELY  
AFTER NECESSARY DECREE LAW WAS ENACTED. IN FACT, EINAUDI  
AND BROUSSET SPECIFICALLY AGREED ON SEPTEMBER 29 AS THE  
DATE FROM WHICH INTEREST WOULD RUN, AND BROUSSET SO IN-  
FORMED GENERAL LOAYZA, PRESIDENT OF BOARD OF DIRECTORS OF  
BANCO DE LA NACION, IN WRITING. DECREE LAW WAS ENACTED  
AS SCHEDULED ON SEPTEMBER 28, YET NOTE HAS NOT BEEN  
FORTHCOMING. FURTHERMORE, DRAFT TEXT OF NOTE WAS AGREED  
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UPON IN COURSE OF NEGOTIATIONS AND INITIALED BY FOREIGN

MINISTER DE LA PUENTE AT TIME AGREEMENT WAS SIGNED.  
(CLINT SMITH IS HEREBY AUTHORIZED TO INITIAL EXISTING  
DRAFT TEXT OF PROMISSORY NOTE ON BEHALF OF US GOVERNMENT;  
YOU MAY DO SO IF YOU BELIEVE THIS WOULD HELP TO BREAK GOP  
INTERNAL LOGJAM.) ISSUANCE OF NOTE IS ALSO SPECIFICALLY  
AUTHORIZED IN DECREE LAW. THUS, WE CANNOT UNDERSTAND WHY

GOP IS INSISTING THAT ADDITIONAL DECREE LAW REQUIRED BE-  
FORE NOTE CAN BE ISSUED.

2. WE NOW UNDERSTAND THAT PROMISSORY NOTE CANNOT BE  
ISSUED BEFORE OCTOBER 20, A FULL FOUR WEEKS AFTER AGREE-  
MENT WAS SIGNED. THIS UNCONSCIONABLE DELAY IS IN  
MARKED CONTRAST TO THE SUCCESSFUL EFFORTS USG HAS MADE  
SINCE SIGNING OF THE AGREEMENT WITH RESPECT TO GOP  
INTERESTS IN AREAS NOT DIRECTLY RELATED TO SETTLEMENT  
SUCH AS AID, FMS, AND CCC CREDITS AND BALPA LOAN.

3. DELAY IN ISSUANCE OF PROMISSORY NOTE IS COSTING  
MARCONA APPROXIMATELY \$8,000 PER DAY. WE ARE AWARE  
THAT DRAFT TEXT OF PROMISSORY NOTE INDICATED THAT  
INTEREST WOULD BE PAYABLE FROM DATE OF SIGNATURE OF  
NOTE, BUT LANGUAGE WAS BASED ON CLEAR UNDERSTANDING  
THAT NOTE WOULD BE ISSUED WEEK OF SEPTEMBER 27. GIVEN THE  
DELAY, WE BELIEVE SOME WAY SHOULD BE FOUND TO PROVIDE  
MARCONA WITH THE APPROXIMATELY \$160,000 THEY WILL HAVE  
LOST IN INTEREST BETWEEN SEPTEMBER 29 AND OCTOBER 20,  
EITHER BY MAKING THE INTEREST RETROACTIVE TO SEPTEMBER  
29, OR BY INCREASING THE INTEREST RATE SPECIFIED IN THE  
NOTE.

4. MARCONA, WHICH WAS ADVISED BY USG THAT INTEREST  
WOULD RUN FROM ABOUT SEPTEMBER 29, FEELS STRONGLY ABOUT  
THIS AND IS LIKELY TO VIEW LOSS OF THESE FUNDS AS INDI-  
CATION OF QUESTIONABLE GOP FAITH. RESULT COULD POISON  
ATMOSPHERE, MAKING THE INEVITABLE PROBLEMS WHICH WILL  
ARISE OUT OF THE ORE SALES CONTRACT ALL THE MORE DIFFI-  
CULT TO RESOLVE.

5. IN LIGHT OF THE ABOVE, CLINT SMITH IS REQUESTED TO  
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SEEK APPOINTMENT WITH FOREIGN MINISTER DE LA PUENTE TO  
DISCUSS WITH HIM ABOVE POINTS. HE SHOULD STRESS,  
ESPECIALLY, THE SPEED AND FORTHCOMINGNESS WITH WHICH USG  
HAS ACTED IN ITS EFFORTS SUBSEQUENT TO THE SIGNING OF  
THE AGREEMENT IN CONTRAST TO GOP DELAY ON NOTE; IMPORTANCE  
OF ASSURING THAT MARCONA RECEIVE INTEREST ON THE \$37  
MILLION NOTE FOR THE FULL AGREED-UPON PERIOD BEGINING  
SEPTEMBER 29 (WHERE USG CREDIBILITY IS AT STAKE), AND

OUR CONCERN THAT IF MATTER IS NOT WRAPPED UP SHORTLY,  
SETTLEMENT RUNS DANGER OF UNRAVELING AT BOTH ENDS,  
ESPECIALLY SINCE INTERGOVERNMENTAL AGREEMENT DOES NOT  
ACTIVELY ENTER INTO FORCE UNTIL THE NOTE IS ISSUED.  
(YOU MAY ALSO WISH TO TELL DE LA PUENTE THAT IT IS  
OUR UNDERSTANDING THAT CITIBANK, NOT MARCONA, WILL BE  
HOLDING NOTE UNTIL SUCH TIME AS FIRST PROCEEDS OF BALPA  
LOAN ARE AVAILABLE.) KISSINGER

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Date:** 28 MAY 2004  
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**Document Unique ID:** 00  
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**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
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